

This record is a partial extract of the original cable. The full text of the original cable is not available.

UNCLAS BRATISLAVA 000038

SIPDIS

DEPT FOR EB/IFD/OIA JHATCHER, ATBRYAN AND PBROWN
DEPT PASS TO USTR AND OPIC

E.O. 12958: N/A
TAGS: ECON KTDB LO OPIC USTR
SUBJECT: SLOVAKIA - INVESTMENT CLIMATE STATEMENT 2005

REF: 04 STATE 250356

OVERVIEW

¶1. SINCE 1998, SLOVAKIA'S ONCE TROUBLED ECONOMY HAS BEEN TRANSFORMED INTO A BUSINESS FRIENDLY STATE THAT LEADS THE REGION IN ECONOMIC GROWTH. IN ITS DOING BUSINESS IN 2005 REPORT, THE WORLD BANK NAMED SLOVAKIA AS THE WORLD'S TOP REFORMER IN IMPROVING ITS INVESTMENT CLIMATE OVER THE LAST YEAR, ALLOWING IT TO JOIN THE TOP 20 ECONOMIES IN THE WORLD FOR EASE OF DOING BUSINESS. THE COUNTRY'S LOW-COST YET SKILLED LABOR FORCE, LOW TAXES, LIBERAL LABOR CODE AND FAVORABLE GEOGRAPHIC LOCATION HAVE HELPED IT BECOME ONE OF EUROPE'S FAVORITE INVESTMENT MARKETS, LEADING FORBES MAGAZINE TO CALL IT THE WORLD'S NEXT HONG KONG OR IRELAND.

¶2. SLOVAKIA IS A MEMBER OF THE EU, NATO AND THE OECD, AND HOLDS INVESTMENT GRADE RATINGS FROM ALL THREE MAJOR RATING AGENCIES. THE WALL STREET JOURNAL'S AND HERITAGE FOUNDATION'S 2004 ECONOMIC FREEDOM INDEX RANKED SLOVAKIA 35TH OUT OF THE 155 COUNTRIES EXAMINED. SLOVAKIA'S LEAP FROM 67TH PLACE IN 2003 WAS THE BIGGEST IMPROVEMENT IN EUROPE AND EIGHTH LARGEST WORLDWIDE. IN COMPARISON, THE CZECH REPUBLIC FINISHED IN 32ND PLACE, HUNGARY 42ND AND POLAND 56TH. ACCORDING TO THE GLOBAL COMPETITIVENESS REPORT 2004-2005 ISSUED BY THE WORLD ECONOMIC FORUM, SLOVAKIA CLIMBED FROM 43RD TO 39TH IN THE BUSINESS COMPETITIVENESS INDEX. IN THE POLL OF 104 NATIONS, SLOVAKIA RANKED AS THE 9TH MOST FAVORABLE ECONOMY IN TERMS OF TAX BURDENS.

¶3. ACCORDING TO GOS STATISTICS, IN 1998 SLOVAKIA HAD ONLY ONE-SIXTH AS MUCH CUMULATIVE FOREIGN DIRECT INVESTMENT (FDI) PER CAPITA AS HUNGARY OR THE CZECH REPUBLIC. THE SITUATION CHANGED DRAMATICALLY WITH THE ELECTION OF PRIME MINISTER MIKULAS DZURINDA'S GOVERNMENT IN 1998. SINCE THEN, CUMULATIVE FDI HAS INCREASED SIX FOLD TO USD 11.46 BILLION AT THE END OF THE FIRST THREE QUARTERS IN 2004. MOREOVER, SLOVAKIA SCORED A MAJOR VICTORY IN 2004 BY ATTRACTING A USD 1.5 BILLION INVESTMENT FROM HYUNDAI FOR ITS FIRST EUROPEAN ASSEMBLY PLANT, AS WELL AS A USD 400 MILLION INVESTMENT FROM FORD FOR A GEARBOX PRODUCTION PLANT. A RECENT SURVEY BY THE U.S. EMBASSY SHOWED U.S. INVESTMENT IN SLOVAKIA AT OVER USD 3.0 BILLION FOR CURRENT AND FUTURE COMMITMENTS. (NOTE: OFFICIAL GOS STATISTICS DIFFER BECAUSE SOME FOREIGN INVESTMENTS ARE CREDITED TO THIRD COUNTRIES DEPENDING ON FINANCING ARRANGEMENTS).

OPENNESS TO FOREIGN INVESTMENT

¶4. THE GOS INCENTIVE PROGRAM PROVIDES FOR VARYING LEVELS OF AID DEPENDING ON THE PER CAPITA GROSS DOMESTIC PRODUCT (GDP) OF THE REGION IN WHICH THE INVESTMENT IS LOCATED. AREAS WITH A PER CAPITA GDP OF LESS THAN 60 PERCENT OF THE EU AVERAGE ARE ELIGIBLE TO RECEIVE STATE AID EQUAL TO 50 PERCENT OF OVERALL COSTS OF PROCURING AN INVESTMENT. REGIONS WITH A PER CAPITA GDP OF 60 TO 75 PERCENT OF THE EU AVERAGE CAN RECEIVE STATE AID EQUAL TO 40 PERCENT OF COSTS, AND THOSE AREAS WITH A PER CAPITA GDP EXCEEDING 75 PERCENT OF THE EU AVERAGE CAN RECEIVE 20 PERCENT. THIS MAKES ALL REGIONS IN SLOVAKIA ELIGIBLE FOR THE MAXIMUM AMOUNT OF AID, EXCEPT BRATISLAVA, WHERE THE RATE IS 20 PERCENT. CERTAIN PROVISIONS APPLY TO SOME SENSITIVE INDUSTRIAL SECTORS, SUCH AS THE AUTOMOTIVE INDUSTRY.

¶5. TO QUALIFY FOR AID, A COMPANY MUST INVEST A MINIMUM OF SKK 400 MILLION (USD 13.8 MILLION) IF LOCATING IN AREA WITH UNEMPLOYMENT OF LESS THAN 10 PERCENT AND A MINIMUM OF SKK 200 MILLION (USD 6.9 MILLION) OTHERWISE. HOWEVER, THE MINISTRY OF ECONOMY HAS RECENTLY WORKED OUT NEW RULES FOR GRANTING STATE AID, WHICH SHOULD BE ENACTED LATER IN 2005. BESIDES STATE AID, SLOVAKIA CURRENTLY OFFERS THE MOST ADVANTAGEOUS TAX ENVIRONMENT FOR CORPORATIONS FROM ALL OECD AND EU STATES. IN 2004, THE COUNTRY IMPOSED A FLAT INCOME TAX RATE OF 19 PERCENT, BOTH FOR CORPORATIONS AND INDIVIDUALS. IN ADDITION, THE GOS STOPPED WITHHOLDING TAXES ON DIVIDENDS, THUS PERMITTING FOREIGN FIRMS TO PAY BACK PARENT COMPANIES WITHOUT THE STATE TAKING A CUT.

¶6. IN 2004, THE GOS GRANTED A TOTAL OF SKK 7.95 BILLION (USD 274 MILLION) IN STATE AID TO 18 PROJECTS, OF WHICH SKK 7.35 BILLION (USD 253.5 MILLION) WAS PROVIDED IN THE FORM OF TAX RELIEF AND SKK 600.4 MILLION (USD 20.5 MILLION) AS EDUCATION AND RE-

QUALIFICATION GRANTS. THE 2005 GOS BUDGET PROJECTS EXPENDITURES FOR INVESTMENT INCENTIVES OF SKK 3.7 BILLION (USD 127.4 MILLION), WITH A LARGE MAJORITY OF IT GOING TO THE TWO LARGEST PROJECTS IN THE COUNTRY, THE CAR PLANTS OF HYUNDAI/KIA AND PEUGEOT (SEE PARAGRAPH 10 FOR ADDITIONAL INFORMATION). POTENTIALLY, THE 2005 BUDGET ALLOCATION STATE AID COULD BE INCREASED AS IT WAS IN 2004. (NOTE: SIMPLY QUALIFYING FOR STATE AID DOES NOT GUARANTEE THAT IT WILL BE GRANTED, DISPERSAL OF FUNDS DEPENDS ON BUDGET

ALLOCATIONS).

¶17. THE INDUSTRIAL PARK LAW HELPS MUNICIPALITIES DEVELOP SPECIAL INDUSTRIAL ZONES THROUGH FUNDING ASSISTANCE FROM THE GOS. THE GOS CAN FUND UP TO 85 PERCENT OF THE OVERALL COST RELATED TO THE PURCHASE OF LAND AND DEVELOPMENT OF INFRASTRUCTURE IN AN INDUSTRIAL PARK. IN REGIONS WITH AN UNEMPLOYMENT RATE EXCEEDING 10 PERCENT, STATE CO-FINANCING COULD COVER AS MUCH AS 95 PERCENT OF ALL ELIGIBLE COSTS (NOTE: THIS EXEMPTION APPLIES TO VIRTUALLY ALL REGIONS IN SLOVAKIA, EXCEPT FOR WESTERN SLOVAKIA). THE 2005 STATE BUDGET SET ASIDE SKK 132 MILLION (USD 4.6 MILLION) FOR CAPITAL EXPENDITURES RELATED TO THIS ACT. CURRENTLY, THERE ARE SEVERAL WELL-DEVELOPED INDUSTRIAL PARKS IN SLOVAKIA READY FOR INVESTMENT. A WEBSITE "HTTP://WWW.SARIO.SK", OFFERS MORE INFORMATION.

¶18. THE FIRST DZURINDA ADMINISTRATION SIGNALLED ITS OPENNESS TO FDI BY RESCINDING THE PREVIOUS GOVERNMENT'S LAW ON STRATEGIC PRIVATIZATION, WHICH PROHIBITED PRIVATIZATION OF NUMEROUS STATE-OWNED ENTERPRISES. THE CURRENT LAW PERMITS COMPLETE PRIVATIZATION OF MOST BUSINESSES AND ALLOWS FOR 49-PERCENT FOREIGN OWNERSHIP AND MANAGEMENT CONTROL OF THE NATURAL GAS COMPANY, THE ELECTRIC POWER PRODUCER, ELECTRICITY DISTRIBUTORS, AND AN OIL PIPELINE. ALL OF THESE PRIVATIZATIONS, EXCEPT FOR ELECTRICITY PRODUCTION, HAVE BEEN COMPLETED. THE STATE MUST STILL RETAIN OWNERSHIP OF RAILROAD RIGHTS OF WAY, POSTAL SERVICES, WATER SUPPLIES (BUT NOT SUPPLIERS) AND FORESTRY COMPANIES.

¶19. AS A RESULT OF INVESTMENT LIBERALIZATION EFFORTS, SLOVAKIA HAS SIGNIFICANTLY NARROWED THE INVESTMENT GAP WITH ITS NEIGHBORS. BY THE END OF THE THIRD QUARTER OF 2004, SLOVAKIA'S PER CAPITA FDI HAD RISEN TO USD 2,131, COMPARED TO USD 1,097 IN POLAND (END-2003 FIGURE), USD 4,419 IN THE CZECH REPUBLIC AND USD 4,489 IN HUNGARY. IN JANUARY 2005, THE SLOVAK INVESTMENT AND TRADE DEVELOPMENT AGENCY (SARIO) SAID IT HAD SIGNED 47 INVESTMENT DEALS IN 2004 VALUED AT USD 2.26 BILLION, UP FROM 22 DEALS FOR USD 1.55 BILLION IN 2003, AND IT ADDED 260 MORE WERE IN THE WORKS.

¶10. THE BIGGEST 2004 CONTRACTS INCLUDED A USD 140-MILLION INVESTMENT BY SWISS RECORDABLE MEDIA PRODUCER SKY MEDIA, A USD 230 MILLION INVESTMENT BY SWISS GLASS COMPANY GLAS TROESCH AG AND A USD 65 MILLION INVESTMENT BY U.S. SECOND LARGEST CAR SUPPLIER VISTEON. IN THE LAST TWO YEARS, SLOVAKIA HAS ATTRACTED THREE BIG AUTOMOTIVE PROJECTS, I.E. A USD 930 MILLION CAR PLANT BY PEUGEOT, EUROPE'S SECOND LARGEST CARMAKER, A USD 1.5 BILLION INVESTMENT FROM HYUNDAI/KIA, THE WORLD'S SEVENTH BIGGEST CAR PRODUCER AND A USD 400 MILLION INVESTMENT FROM FORD, THE SECOND LARGEST CAR COMPANY IN THE U.S. TOGETHER WITH VOLKSWAGEN, CARMAKERS IN SLOVAKIA ARE PROJECTED TO SHIP AROUND 850,000 VEHICLES A YEAR BY **¶12007**. AT THAT LEVEL, THE COUNTRY WOULD HAVE THE WORLD'S LARGEST AUTO PRODUCTION PER CAPITA.

CONVERSION AND TRANSFER POLICIES

¶11. THE SLOVAK CROWN (SKK) IS FULLY CONVERTIBLE FOR CURRENT ACCOUNT AND CAPITAL TRANSACTIONS. IN 1998, THE SLOVAK CENTRAL BANK (NBS) ABANDONED THE PEG (A BASKET CONSISTING OF 60 PERCENT GERMAN MARKS AND 40 PERCENT U.S. DOLLARS) AND PERMITTED THE CROWN TO FLOAT. SINCE THEN (THROUGH THE END OF 2004), THE CROWN HAS APPRECIATED 3.8 PERCENT COMPARED TO THE FORMER PARITY. THE AVERAGE EXCHANGE RATE IN 2004 WAS SKK 32.55 TO ONE U.S. DOLLAR, ALTHOUGH THIS RATE DROPPED TO SKK 29 IN DECEMBER. THE AVERAGE RATE FOR 2003 WAS SKK/USD 36.77 AND IN 2002 SKK/USD 45.34.

¶12. THE FOREIGN EXCHANGE ACT GOVERNS FOREIGN EXCHANGE OPERATIONS AND ONE CAN EASILY CONVERT OR TRANSFER FUNDS ASSOCIATED WITH AN INVESTMENT INTO A FREELY CONVERTIBLE CURRENCY. AS A MEMBER OF THE OECD, SLOVAKIA MEETS ALL INTERNATIONAL STANDARDS FOR CONVERSION AND TRANSFER POLICY. IN 2003, AN AMENDMENT TO THE FOREIGN EXCHANGE ACT LIBERALIZED OPERATIONS WITH FINANCIAL DERIVATIVES AND ABOLISHED THE LIMIT ON THE EXPORT AND IMPORT OF BANKNOTES AND COINS (DOMESTIC AND FOREIGN CURRENCY). SINCE JANUARY 2004, AN AMENDMENT TO THE FOREIGN EXCHANGE ACT AUTHORIZED SLOVAK RESIDENTS TO OPEN ACCOUNTS ABROAD AND ELIMINATED THE OBLIGATION TO TRANSFER FINANCIAL ASSETS ACQUIRED ABROAD INTO SLOVAKIA. NO PERMISSION IS NEEDED TO ISSUE FOREIGN SECURITIES IN SLOVAKIA, AND SLOVAKS ARE FREE TO TRADE, BUY AND SELL FOREIGN SECURITIES.

EXPROPRIATION AND COMPENSATION

¶13. IN 2004, SLOVAKIA WITNESSED ONE EXPROPRIATION CASE, WIDELY

CONSIDERED AN ANOMALY. THE GOS BEGAN AN EXPROPRIATION PROCESS FOR LAND FROM LOCAL FARMERS TO USE FOR THE SITE OF HYUNDAI/KIA'S CAR PLANT - THE COUNTRY'S LARGEST FOREIGN GREENFIELD INVESTMENT

EVER. AN INDEPENDENT PANEL ESTABLISHED THE MARKET VALUE OF THE LAND AND THE GOS PAID THIS AMOUNT; SOME LANDOWNERS HAVE APPEALED. THE CONSTITUTION, AS WELL AS THE COMMERCIAL AND CIVIL CODES, PERMITS EXPROPRIATION ONLY IN EXCEPTIONAL CASES OF PUBLIC INTEREST, AND COMPENSATION MUST BE PROVIDED. THE LAW ALSO PROVIDES FOR AN APPEAL PROCESS.

DISPUTE SETTLEMENT

¶14. THERE HAVE BEEN NO MAJOR INVESTMENT DISPUTES IN SLOVAKIA IN RECENT YEARS. SLOVAKIA IS A CONTRACTING STATE OF THE INTERNATIONAL CENTER FOR THE SETTLEMENT OF INVESTMENT DISPUTES (ESTABLISHED UNDER THE 1966 WASHINGTON CONVENTION) AND IS A MEMBER OF THE 1958 NEW YORK CONVENTION ON THE RECOGNITION AND ENFORCEMENT OF FOREIGN ARBITRAGE AWARDS.

¶15. THE SLOVAK LEGAL SYSTEM IS COMPRISED OF 55 DISTRICT COURTS, EIGHT REGIONAL COURTS, AND A SUPREME COURT, ALL OF WHICH ARE UNDER THE JURISDICTION OF THE MINISTRY OF JUSTICE. JUDGES ARE APPOINTED INITIALLY FOR A TERM OF FOUR YEARS AND SUBSEQUENTLY EITHER RE-APPOINTED FOR LIFE OR REMOVED FROM OFFICE. ONCE APPOINTED FOR LIFE, JUDGES MAY BE REMOVED ONLY FOR CAUSE. MOST CRIMINAL CASES AND MINOR CIVIL CASES ARE HANDLED BY DISTRICT COURTS, WHILE REGIONAL COURTS HEAR APPEALS AND MAJOR CRIMINAL AND CIVIL CASES. THE SUPREME COURT IN BRATISLAVA IS THE COURT OF FINAL REVIEW EXCEPT FOR CONSTITUTIONAL CASES, WHICH ARE UNDER THE EXCLUSIVE JURISDICTION OF THE CONSTITUTIONAL COURT. THE FUNCTION OF THE SLOVAK CONSTITUTIONAL COURT IS SIMILAR TO THAT OF THE U.S. SUPREME COURT, EXCEPT THE PRESIDENT APPOINTS JUDGES TO THE CONSTITUTIONAL COURT FOR A SINGLE TERM OF SEVEN YEARS.

¶16. THE LEGAL SYSTEM ENFORCES PROPERTY AND CONTRACTUAL RIGHTS, BUT DECISIONS MAY TAKE YEARS, THUS LIMITING THE UTILITY OF THE COURTS FOR DISPUTE RESOLUTION. SLOVAK COURTS RECOGNIZE AND ENFORCE FOREIGN JUDGMENTS, SUBJECT TO THE SAME DELAYS. THE COMMERCIAL CODE SEEMS TO BE APPLIED CONSISTENTLY. A BANKRUPTCY LAW EXISTS BUT HAS NOT BEEN AS EFFECTIVE AS NEEDED AND ENFORCEMENT REMAINS ERRATIC. SLOVAKIA ACCEPTS BINDING INTERNATIONAL ARBITRATION, AND THE SLOVAK CHAMBER OF COMMERCE AND INDUSTRY HAS A COURT OF ARBITRATION FOR ALTERNATIVE DISPUTE RESOLUTION; NEARLY ALL CASES INVOLVE DISPUTES BETWEEN SLOVAK AND FOREIGN PARTIES. SLOVAK DOMESTIC COMPANIES GENERALLY DO NOT MAKE USE OF ARBITRATION CLAUSES IN CONTRACTS.

¶17. SLOVAKIA RECOGNIZES SECURED INTERESTS IN IMMOVABLE PROPERTY, NORMALLY SECURED BY PHYSICAL POSSESSION OF, OR A CONVEYED TITLE TO, THE PROPERTY IN QUESTION UNTIL THE LOAN IS REPAYED. THERE IS A RECOGNIZED PROCEDURE FOR FORECLOSURES, WHICH SPECIFIES HOW EVICTIONS ARE HANDLED, DEBTS ARE REPAYED AND ANY REMAINING FUNDS ARE RETURNED TO THE TITLEHOLDER. AS OF 2003, SLOVAKIA HAS IN PLACE ONE OF THE MOST ADVANCED FRAMEWORKS FOR REGISTERING SECURITY INTERESTS IN MOVEABLE PROPERTY OF ANY COUNTRY IN EUROPE.

PERFORMANCE REQUIREMENTS/INCENTIVES

¶18. SLOVAKIA HAS NO FORMAL PERFORMANCE REQUIREMENTS FOR ESTABLISHING, MAINTAINING, OR EXPANDING FOREIGN INVESTMENTS. HOWEVER, SUCH REQUIREMENTS MAY BE INCLUDED AS CONDITIONS OF SPECIFIC NEGOTIATIONS FOR PROPERTY INVOLVED IN LARGE-SCALE PRIVATIZATION BY DIRECT SALE OR PUBLIC AUCTION. (NOTE: SEE THE "OPENNESS TO FOREIGN INVESTMENT" SECTION FOR DETAILS ON INCENTIVES). THERE ARE NO OBSTACLES FOR FOREIGN ENTITIES TO PARTICIPATE IN GOS FINANCED AND/OR SUBSIDIZED RESEARCH AND DEVELOPMENT PROGRAMS AND RECEIVE EQUAL TREATMENT AS DOMESTIC ENTITIES. THE CURRENT GOVERNMENT ABOLISHED DOMESTIC OWNERSHIP REQUIREMENTS FOR TELECOMMUNICATIONS AND BROADCAST LICENSES.

RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

¶19. FOREIGN AND DOMESTIC PRIVATE ENTITIES HAVE THE RIGHT TO ESTABLISH AND OWN BUSINESS ENTERPRISES AND ENGAGE IN ALL FORMS OF REMUNERATIVE ACTIVITY IN SLOVAKIA. COMPETITIVE EQUALITY IS THE STANDARD BY WHICH PRIVATE ENTERPRISES COMPETE WITH PUBLIC ENTITIES. IN ADDITION, BUSINESSES ARE ABLE TO CONTRACT DIRECTLY WITH FOREIGN ENTITIES. PRIVATE ENTERPRISES ARE FREE TO ESTABLISH, ACQUIRE AND DISPOSE OF BUSINESS INTERESTS, BUT ALL SLOVAK OBLIGATIONS OF LIQUIDATED COMPANIES MUST BE PAID BEFORE ANY REMAINING FUNDS ARE TRANSFERRED OUT OF SLOVAKIA. NON-RESIDENTS FROM EU AND OECD MEMBER COUNTRIES CAN ACQUIRE REAL ESTATE FOR BUSINESS PREMISES. FOR A TRANSITIONAL PERIOD OF SEVEN YEARS STARTING MAY 1, 2004, FOREIGN LEGAL ENTITIES CAN BUY AGRICULTURAL AND FORESTRY LAND, AS WELL AS LAND IN RESIDENTIAL AREAS ONLY IF THEY ESTABLISH A LEGALLY REGISTERED SLOVAK COMPANY. FROM JANUARY 2004, THERE ARE NO RESTRICTIONS FOR SLOVAK RESIDENTS ON THE PURCHASE, EXCHANGE AND SALE OF REAL ESTATE ABROAD.

PROTECTION OF PROPERTY RIGHTS

¶20. SECURED INTERESTS IN PROPERTY AND CONTRACTUAL RIGHTS ARE RECOGNIZED AND ENFORCED. THE MORTGAGE MARKET IN SLOVAKIA IS GROWING AND A RELIABLE SYSTEM OF RECORDING SUCH INTERESTS EXISTS. HOWEVER, TITLES TO REAL PROPERTY ARE OFTEN UNCLEAR AND CAN TAKE SIGNIFICANT AMOUNTS OF TIME TO DETERMINE. THE GOS RECOGNIZES THIS PROBLEM AND IS TAKING STEPS TO RESOLVE IT. UNFORTUNATELY, LEGAL DECISIONS MAY STILL TAKE YEARS, THUS LIMITING THE UTILITY OF THE SYSTEM FOR DISPUTE RESOLUTION.

¶21. SLOVAK COURTS RECOGNIZE AND ENFORCE FOREIGN JUDGMENTS, SUBJECT TO THE AFOREMENTIONED DELAYS, AND THE COMMERCIAL CODE IS APPLIED CONSISTENTLY. A BANKRUPTCY LAW EXISTS, BUT HAS NOT BEEN FULLY EFFECTIVE, DESPITE SEVERAL AMENDMENTS TO STRENGTHEN IT. THERE IS ALSO A CONVICTION IN BUSINESS CIRCLES THAT CORRUPTION STILL PERSISTS TO BE A SIGNIFICANT FACTOR IN THE COURT SYSTEM.

¶22. PROTECTION OF INTELLECTUAL PROPERTY RIGHTS FALLS UNDER THE JURISDICTION OF TWO AGENCIES. THE INDUSTRIAL PROPERTY OFFICE IS RESPONSIBLE FOR MOST AREAS AND THE MINISTRY OF CULTURE IS RESPONSIBLE FOR COPYRIGHTS (INCLUDING SOFTWARE). SLOVAKIA IS A MEMBER OF THE WORLD TRADE ORGANIZATION (WTO), THE EUROPEAN PATENT ORGANIZATION AND THE WORLD INTELLECTUAL PROPERTY ORGANIZATION (WIPO). SLOVAKIA ADHERES TO MAJOR INTELLECTUAL PROPERTY AGREEMENTS INCLUDING THE BERN CONVENTION FOR PROTECTION OF LITERARY AND ARTISTIC WORKS, THE PARIS CONVENTION FOR PROTECTION OF INDUSTRIAL PROPERTY, AND NUMEROUS OTHER INTERNATIONAL AGREEMENTS ON DESIGN CLASSIFICATION, REGISTRATION OF GOODS, APPELLATIONS OF ORIGIN, PATENTS, ETC. IN GENERAL, PATENTS, COPYRIGHTS, TRADEMARKS AND SERVICE MARKS, TRADE SECRETS, AND SEMICONDUCTOR CHIP DESIGN APPEAR ADEQUATELY PROTECTED UNDER SLOVAK LAW AND PRACTICE.

¶23. AT PRESENT, PATENT PROTECTION IS NOT ADEQUATE FOR PHARMACEUTICALS, ALTHOUGH THE GOS HAS PLEDGED TO REMEDY THIS SITUATION. THE WTO TRIPS AGREEMENT IS LEGALLY IN FORCE IN SLOVAKIA, BUT THERE HAVE BEEN NO CASES BROUGHT TO TEST ACTUAL ENFORCEMENT. IN 2004, SLOVAKIA REMAINED ON THE WATCH LIST (THE LOWEST LEVEL OF VIOLATION) OF THE U.S. TRADE REPRESENTATIVE'S ANNUAL INTERAGENCY "SPECIAL 301" REVIEW FOR FAILING TO ADEQUATELY PROTECT PATENT RIGHTS WITHIN THE PHARMACEUTICAL SECTOR.

TRANSPARENCY OF THE REGULATORY SYSTEM

¶24. IN GENERAL, TRANSPARENCY AND PREDICTABILITY HAVE BEEN PROBLEMMATIC FOR MANY ISSUES INVOLVING INVESTORS. THE PROCESS OF OBTAINING RESIDENCY PERMITS FOR EXPATRIATE MANAGERS HAS BEEN WIDELY CRITICIZED AS DIFFICULT AND TIME-CONSUMING. INVESTORS ALSO COMPLAIN THAT PURCHASING LAND AND OBTAINING BUILDING PERMITS ARE LONG AND UNPREDICTABLE PROCESSES. FORMERLY, INCONSISTENCIES WITHIN THE TAX SYSTEM HAD BEEN A PROBLEM, BUT A MAJOR TAX REFORM IN 2004 HAS DRAMATICALLY IMPROVED THIS SITUATION. TODAY, MANY OBSERVERS CONSIDER SLOVAKIA'S FLAT RATE TAX SYSTEM TO BE ONE OF THE SIMPLEST IN EUROPE.

¶25. THE COMMERCIAL CODE AND THE 1991 ECONOMIC COMPETITION ACT GOVERN COMPETITION POLICY IN SLOVAKIA. THE ANTI-MONOPOLY OFFICE IS RESPONSIBLE FOR PREVENTING NONCOMPETITIVE SITUATIONS. THE 2003 LAW ON PUBLIC PROCUREMENT HARMONIZES SLOVAK LAW WITH ALL RELEVANT EU DIRECTIVES ON PUBLIC PROCUREMENT. IN RECENT YEARS, THE OFFICE OF PUBLIC PROCUREMENT, THE SUPERVISION BODY OF THE PROCUREMENT PROCESS, HAS BEEN EMBROILED IN SEVERAL CONTROVERSIAL PUBLIC TENDERS. MOREOVER, IN 2003, AS MUCH AS 70 PERCENT OF USD 2 BILLION OF CONTRACTS PROVIDED BY STATE ORGANS WENT TO CONTRACTORS CHOSEN IN A NEGOTIATED PROCEDURE WITHOUT FORMAL PUBLIC NOTICE. THE SLOVAK CHAPTER OF TRANSPARENCY INTERNATIONAL (TI) WARNS THAT THIS METHOD LEAVES VAST SPACE FOR CORRUPTION.

EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT

¶26. AFTER SLOVAKIA JOINED THE OECD, THE EXPORT OF CAPITAL AND OUTWARD DIRECT INVESTMENT WERE LIBERALIZED TO CONFORM TO INTERNATIONAL STANDARDS. AS OF JUNE 2004, THE SLOVAK BANKING SECTOR WAS COMPRISED OF 20 BANKS, INCLUDING TWO BRANCHES OF FOREIGN BANKS AND THREE SPECIALIZED BANKING INSTITUTIONS. CITIBANK IS THE ONLY U.S. BANK IN SLOVAKIA. THE ONCE-BATTERED SECTOR IS NOW 97 PERCENT FOREIGN OWNED (WITH ONLY ONE MEDIUM-SIZED BANK, IN TERMS OF ASSETS, FULLY CONTROLLED BY DOMESTIC OWNERS) AND HAS WITNESSED A DRAMATIC RECOVERY. THROUGH OCTOBER 2004, THE ASSETS OF ALL SLOVAK BANKS TOTALLED USD 38.2 BILLION, AN INCREASE OF 11.5 PERCENT FROM THE PREVIOUS YEAR. THE TOTAL

VOLUME OF CLASSIFIED LOANS WAS USD 1.44 BILLION, WITH PROVISIONS OF USD 885.6 MILLION COVERING 61.5 PERCENT.

¶27. DESPITE A GRADUAL RECOVERY IN THE PAST THREE YEARS, SLOVAKIA'S STOCK MARKET REMAINS WEAK AND UNIMPORTANT IN AN INTERNATIONAL CONTEXT. IN 2001, THE BRATISLAVA STOCK EXCHANGE

(BSSE) OPENED A FLOOR FOR TRADING FOREIGN SECURITIES IN ORDER TO BOOST THE MARKET SENTIMENT, BUT TO DATE THERE HAS BEEN LITTLE ACTIVITY. THE BSSE'S TRADING SYSTEM ENABLES IT TO ORGANIZE SECURITIES TRADING IN ANY CURRENCY AND TO STRUCTURE STOCK EXCHANGES WITH FEW RESTRICTIONS. IMPORTANTLY, ECONOMISTS BELIEVE THAT REFORMS IN SLOVAKIA'S PENSION SYSTEM WILL PROVIDE A MAJOR BOOST TO DOMESTIC EQUITY TRADING AS NEWLY-ESTABLISHED PENSION ADMINISTRATION COMPANIES WILL BE OBLIGED BY THE LAW TO INVEST AT LEAST 30 PERCENT OF THEIR ASSETS IN SLOVAKIA.

¶28. AT THE END OF NOVEMBER 2004, THE TOTAL NUMBER OF ISSUES ON THE BSSE WAS 464, OF WHICH 64 WERE BOND ISSUES. TOTAL MARKET CAPITALIZATION AMOUNTED TO USD 15.71 BILLION (UP 12.7 PERCENT FROM NOVEMBER 2003), OF WHICH DEBT ISSUE CAPITALIZATION REPRESENTED USD 11.58 BILLION (UP 10.3 PERCENT FROM NOVEMBER 2003). THE TOTAL VOLUME TRADED IN FIRST ELEVEN MONTHS OF 2004 WAS USD 12.16 BILLION (DOWN 56 PERCENT FROM 2003), WITH ALMOST 22 MILLION UNITS OF SECURITIES CHANGING OWNERS IN 15,668 TRANSACTIONS IN THE COURSE OF THE YEAR. THE STOCK INDEX, SAX, CLOSED NOVEMBER 2004 WITH A 70.32 PERCENT GAIN YEAR-ON-YEAR (YOY) AFTER RISING 26.9 PERCENT IN 2003, THE SDX INDEX COMPONENT FOR GOVERNMENT BONDS WAS UP 8.62 PERCENT (4.2 PERCENT IN 2003) AND THE INDEX FOR CORPORATE AND BANK BONDS INCREASED BY 8.38 PERCENT (7.2 PERCENT IN 2003).

POLITICAL VIOLENCE

¶29. THERE HAVE BEEN NO REPORTS OF POLITICALLY MOTIVATED DAMAGE TO PROPERTY, AND CIVIL DISTURBANCES ARE RARE. THERE HAS BEEN NO VIOLENCE DIRECTED TOWARD FOREIGN-OWNED COMPANIES. WHILE NOT AIMED AT AMERICANS, ORGANIZED CRIME IS PRESENT IN SLOVAKIA, AND VIOLENCE BETWEEN RIVAL ORGANIZATIONS HAS RESULTED IN SEVERAL FATALITIES.

CORRUPTION

¶30. IN 1998, THE DZURINDA GOVERNMENT PROCLAIMED THE FIGHT AGAINST CORRUPTION TO BE A PRIORITY. SINCE THEN THE GOS HAS DRAFTED A NATIONAL ANTI-CORRUPTION PROGRAM, APPOINTED A CORRUPTION STEERING COMMITTEE, AMENDED THE CRIMINAL CODE IN ATTEMPTS TO STRENGTHEN LAW ENFORCEMENT, APPROVED A LAW MODERNIZING PUBLIC PROCUREMENT, AND ENACTED A STRONG FREEDOM OF INFORMATION ACT. THE PRESS HAS TAKEN A MORE ACTIVE ROLE IN REPORTING CORRUPTION, AND PUBLIC AWARENESS HAS INCREASED. THE SLOVAK CHAPTER OF TI IS ACTIVE AND HAS PARTICIPATED IN PUBLIC TENDERS. SLOVAKIA IS A SIGNATORY TO THE OECD CONVENTION ON BATTLING BRIBERY, AND TO GIVE OR ACCEPT BRIBES IS A CRIMINAL ACT. THE USG AWARDED A GRANT TO TI TO CARRY OUT A CAMPAIGN TO PROMOTE PUBLIC AWARENESS OF CORRUPTION AND HAS BROUGHT ANTI-CORRUPTION EXPERTS TO SLOVAKIA FOR CONSULTATIONS. THE PROGRAM FINANCED FROM THE USG GRANT CLOSED IN JUNE 2004.

¶31. SLOVAKIA RANKED 57TH ON TI'S 2004 CORRUPTION PERCEPTION INDEX (UP FROM 59TH IN 2003) THAT MEASURES THE LEVEL OF CORRUPTION IN 146 COUNTRIES. ACCORDING TO A MAY 2004 SURVEY BY THE LOCAL CHAPTER OF TI, THE SLOVAK PUBLIC PERCEIVES CORRUPTION AS THE SOCIETY'S FOURTH MOST SERIOUS PROBLEM AFTER LIVING CONDITIONS, UNEMPLOYMENT AND THE HEALTHCARE SYSTEM. THE MOST COMMON FORM OF CORRUPTION IS BRIBERY, WHICH IS WIDESPREAD IN THE HEALTHCARE SECTOR AND COURTS. INTERESTINGLY, A MID-YEAR POLL SHOWED THAT CORRUPTION IN SLOVAKIA HAS WIDENED PRIMARILY WITHIN LOCAL GOVERNMENTS. IN CONTRAST, IT HAD ITS LARGEST DROP AMONG THE POLICE. THE POLL ALSO SHOWED THAT SLOVAKS FEEL THE GOS HAD FAILED IN THE FIGHT AGAINST CORRUPTION OVER THE PAST FIVE YEARS. IN 1999, THE POLL SHOWED 40 PERCENT SLOVAKS THOUGHT THE GOS HAD NEGLECTED THE CORRUPTION PROBLEM, WHILE IN 2004 THAT NUMBER HAD INCREASED TO 60 PERCENT. IN ADDITION, ONE-THIRD OF THE RESPONDENTS ADMITTED TO PAYING A BRIBE IN THE LAST THREE YEARS.

BILATERAL INVESTMENT AGREEMENTS

¶32. SLOVAKIA HAS BILATERAL INVESTMENT TREATIES WITH THE FOLLOWING COUNTRIES: AUSTRALIA, AUSTRIA, BELGIUM, BELARUS, BULGARIA, CANADA, CHINA, CROATIA, CUBA, THE CZECH REPUBLIC, DENMARK, EGYPT, THE FEDERAL REPUBLIC OF YUGOSLAVIA, FINLAND, FRANCE, GERMANY, GREECE, HUNGARY, INDONESIA, IRELAND, ICELAND, ISRAEL, ITALY, KOREA, LATVIA, LITHUANIA, LUXEMBOURG, MALTA, THE NETHERLANDS, SOUTH KOREA, NORWAY, POLAND, PORTUGAL, ROMANIA,

SLOVENIA, SOUTH AFRICA, SPAIN, SWEDEN, SWITZERLAND, TAJIKISTAN, TURKEY, TURKMENISTAN, UKRAINE, THE UNITED KINGDOM, THE U.S., AND UZBEKISTAN. LIKE OTHER NEW EU MEMBERS, SLOVAKIA HAD TO NEGOTIATE AN AMENDMENT TO ITS BILATERAL INVESTMENT TREATY WITH THE U.S., BECAUSE IT WAS CONSIDERED INCONSISTENT WITH EU LEGISLATION. THE AMENDED TREATY ENTERED INTO FORCE ON MAY 14, 2004.

OPIC AND OTHER INVESTMENT INSURANCE PROGRAMS

133. THE OVERSEAS PRIVATE INVESTMENT CORPORATION (OPIC) HAS BEEN ACTIVE IN SLOVAKIA AND OFFERS U.S. INVESTORS INSURANCE AGAINST POLITICAL RISK, EXPROPRIATION OF ASSETS, DAMAGES DUE TO POLITICAL VIOLENCE, AND CURRENCY INCONVERTIBILITY. OPIC CAN PROVIDE SPECIALIZED INSURANCE COVERAGE FOR CERTAIN CONTRACTING, EXPORTING, LICENSING, AND LEASING TRANSACTIONS UNDERTAKEN BY U.S. INVESTORS IN SLOVAKIA. SLOVAKIA IS A MEMBER OF THE MULTILATERAL INVESTMENT GUARANTEE AGENCY (MIGA).

134. THE EMBASSY'S 2005 ANNUAL BUDGET IS APPROXIMATELY USD 6.5 MILLION. THE EMBASSY PURCHASES LOCAL CURRENCY AT RATE GENERATED BY THE FINANCIAL SUPPORT CENTER IN CHARLESTON AND THE CURRENT RATE (JANUARY 10) IS SKK 29.6 /USD 1. ANALYSTS FORECAST THAT THE SLOVAK CURRENCY WILL CONTINUE TO APPRECIATE IN THE NEAR FUTURE.

LABOR

135. SLOVAKIA HAS ONE OF THE MOST LIBERAL LABOR CODES IN EUROPE, ALLOWING LAYOFFS TO MEET ECONOMIC CYCLES. ITS WORKFORCE OF MORE THAN TWO MILLION HAS A STRONG TRADITION IN ENGINEERING AND MECHANICAL PRODUCTION. LITERACY IN SLOVAKIA IS ALMOST UNIVERSAL (MORE THAN 99 PERCENT), AND MOST WORKERS ARE HIGHLY EDUCATED AND TECHNICALLY SKILLED. FOREIGN COMPANIES FREQUENTLY PRAISE THE MOTIVATION AND ABILITIES OF YOUNGER WORKERS, WHO ALSO OFTEN HAVE GOOD LANGUAGE AND COMPUTER SKILLS. HOWEVER, OLDER WORKERS OFTEN HAVE POOR LANGUAGE AND WEAK MANAGERIAL SKILLS. SLOVAKS HAVE A REPUTATION FOR BEING TECHNICALLY SKILLED, PARTICULARLY IN HEAVY INDUSTRY. EDUCATION LEVELS MATCH OR EXCEED NEIGHBORING COUNTRIES; WITH NEARLY 86 PERCENT OF SLOVAKS AGED 25-64 HAVING AT LEAST A HIGH SCHOOL EDUCATION. ACCORDING TO THE WORLD BANK'S STUDENT LEARNING ASSESSMENT DATABASE, SLOVAKS OUTSCORED ALL OTHER CENTRAL AND EASTERN EUROPEAN STUDENTS IN MATH AND PLACED THIRD (BEHIND HUNGARY AND THE CZECH REPUBLIC) IN SCIENCES.

136. AT JUST USD 8,818 PER EMPLOYEE, SLOVAKIA HAD THE LOWEST REMUNERATION COSTS IN THE EU IN 2004, ACCORDING TO A SURVEY BY DELOITTE AND TOUCHE, THE PROFESSIONAL SERVICES FIRM. EMPLOYER COSTS ON EMPLOYEES IN THE SLOVAK ECONOMY REPRESENTED ONLY 13.2 PERCENT OF THAT IN GERMANY, WHICH TOPPED EUROPE'S LABOR COSTS WITH AN AVERAGE REMUNERATION PACKAGE OF USD 66,941 LAST YEAR. THE SURVEY TAKES INTO ACCOUNT TAX AND SOCIAL SECURITY COSTS AS WELL AS AVERAGE EARNINGS. OF THE 10 NEW EU MEMBERS, ONLY POLAND AND ESTONIA WERE CLOSE TO SLOVAKIA WITH REMUNERATION LEVELS OF USD 9,660 AND USD 10,070, RESPECTIVELY. THE UNEMPLOYMENT RATE HAS HOVERED AROUND 20 PERCENT IN RECENT YEARS, BUT HAS DECLINED TO UNDER 14 PERCENT RECENTLY DUE TO STRICTER POLICIES ON QUALIFYING FOR UNEMPLOYMENT BENEFITS AND A GROWING LEVEL OF FDI. HOWEVER, THERE ARE EXTENSIVE REGIONAL VARIATIONS IN UNEMPLOYMENT RATES ACROSS COUNTRY, WITH A RATE OF FOUR PERCENT IN BRATISLAVA BUT OVER 30 PERCENT IN SOME PARTS OF EASTERN SLOVAKIA. WHILE THE UNEMPLOYMENT RATE IS HIGHER THAN IN MOST NEIGHBORING COUNTRIES (SECOND ONLY TO POLAND IN THE EU) THOSE WHO ARE UNEMPLOYED, ARE COMPARATIVELY WELL EDUCATED.

137. THE WORKWEEK IS STANDARDIZED AT 42.5 HOURS, AND THE OVERTIME ALLOWANCE IS 400 HOURS PER YEAR, PENDING AN AGREEMENT BETWEEN EMPLOYER AND EMPLOYEE, WHICH MAKES SLOVAKIA ONE OF THE MOST LIBERAL ECONOMIES IN THIS REGARD. SINCE OCTOBER 2004, THE MINIMUM WAGE IS ABOUT USD 224 PER MONTH, BUT ALMOST ALL WORKERS EARN MORE. WAGE RATES ROSE IN 2002, WERE FAIRLY STAGNANT IN 2003 (DUE TO HIGHER INFLATION AS A RESULT OF DEFERRED HIKES IN STATE-REGULATED UTILITY PRICES AND EXCISE TAXES), AND ROSE AGAIN IN 2004 FOLLOWING THE COUNTRY'S ACCESSION TO THE EU AND BECAUSE OF RISING DEMAND FOR LABOR BROUGHT ON BY INCREASED LEVELS OF FDI. (NOTE: FOR THE FIRST NINE MONTHS OF 2004, THE AVERAGE NOMINAL MONTHLY WAGE ROSE 9.8 PERCENT YOY, TO SKK 15,105 (USD 504). AT THE SAME TIME, REAL WAGES INCREASED 1.7 PERCENT. SLOVAK SOCIAL INSURANCE IS COMPULSORY AND INCLUDES A HEALTH ALLOWANCE, UNEMPLOYMENT INSURANCE, AND PENSION INSURANCE.

138. ALTHOUGH NEARLY 60 PERCENT OF SLOVAK WORKERS BELONG TO LABOR UNIONS, STRIKES ARE RARE, AND THE POPULARITY OF UNIONS IS ON THE DECLINE. IN 2004, THE GOVERNMENT ABOLISHED THE SO-CALLED "TRIPARTITE ARRANGEMENT", A DISCUSSION PLATFORM OF THE STATE, LABOR UNIONS AND THE EMPLOYERS' ASSOCIATION. THE UNIONS GENERALLY HAVE BEEN TOLERANT OF THE COSTS IMPOSED ON LABOR BY ECONOMIC TRANSFORMATION, BUT A MORE AGGRESSIVE UNION LEADERSHIP HAS

EMERGED THAT IS POLITICALLY ENGAGED AND ACTIVE AMONG ITS MEMBERSHIP. FOLLOWING ITS RECENT LIBERALIZATION, SLOVAKIA'S LABOR CODE NOW FOLLOWS INTERNATIONAL STANDARDS. SLOVAKIA IS A MEMBER OF THE INTERNATIONAL LABOR ORGANIZATION AND ADHERES TO ITS CONVENTION PROTECTING WORKER RIGHTS.

FOREIGN TRADE ZONES/FREE PORTS

139. CURRENTLY THERE ARE FOUR FREE CUSTOMS ZONES IN SLOVAKIA: ZILINA IN THE NORTH, BANSKA BYSTRICA IN THE CENTER, TRENCIN IN THE WEST, AND KOSICE IN THE EAST. THERE ARE NO GEOGRAPHIC LIMITATIONS WHERE FREE CUSTOMS ZONES OR WAREHOUSES CAN BE LOCATED. IN GENERAL, EXISTING ZONES DO NOT PLAY A SIGNIFICANT ROLE IN SLOVAKIA'S ECONOMY AND ARE NOT AN IMPORTANT FACTOR IN

ATTRACTING FOREIGN INVESTMENT. INSTEAD OF FREE CUSTOMS ZONES OR FREE CUSTOMS WAREHOUSES, A REGIME OF INWARD PROCESSING IS COMMONLY EMPLOYED IN SLOVAKIA. THIS ALLOWS GOODS TO PASS THROUGH ONE OR MORE PROCESSING OPERATIONS WITHIN A CUSTOMS TERRITORY IN ONE OF TWO WAYS. FIRST, FOREIGN GOODS INTENDED FOR RE-EXPORT FROM THE CUSTOMS TERRITORY IN THE FORM OF COMPENSATORY PRODUCTS WITHOUT BEING SUBJECT TO IMPORT DUTIES OR COMMERCIAL POLICY MEASURES (THIS IS KNOWN AS A SUSPENSION SYSTEM). SECOND, GOODS RELEASED TO A FREE CIRCULATION REGIME WITH REPAYMENT OR REMISSION OF THE IMPORT DUTIES CHARGEABLE ON SUCH GOODS, IF THEY ARE EXPORTED FROM THE CUSTOMS TERRITORY IN THE FORM OF COMPENSATORY PRODUCTS (THIS IS KNOWN AS A DRAWBACK SYSTEM).

FOREIGN DIRECT INVESTMENT

¶40. THE CUMULATIVE LEVEL OF FDI HAS RISEN SHARPLY FROM USD 2.1 BILLION AT THE START OF 1999 TO AROUND USD 11.46 BILLION AT THE END OF THE THIRD QUARTER IN 2004, WITH INFLOWS OF USD 2.16 BILLION IN 2000, USD 1.27 BILLION IN 2001, USD 4.1 BILLION IN 2002 AND USD 1 BILLION IN 2003. THE MAJORITY OF FDI WAS GENERATED THROUGH PRIVATIZATION SALES, BUT SINCE 2003 MOST FDI HAS BEEN IN THE FORM OF NEW DEVELOPMENT. DURING A 2003 BUSINESS CONFERENCE ORGANIZED BY THE U.S. EMBASSY, ALL 16 U.S. COMPANIES WITH OPERATIONS IN SLOVAKIA THAT MADE PRESENTATIONS EXPRESSED THEIR INTENTION TO EXPAND. FOR EXAMPLE, JOHNS MANVILLE, A UNIT OF BERKSHIRE HATHAWAY, MADE A COMMITMENT TO SPEND AN ADDITIONAL USD 100 MILLION ON ITS TRNAVA PLANT.

¶41. THROUGH END OF THIRD QUARTER OF 2004, APPROXIMATELY 38.2 PERCENT OF FDI WENT TO INDUSTRIAL MANUFACTURING, 22.7 PERCENT TO THE BANKING SECTOR, 11.7 PERCENT RETAIL AND WHOLESALE SECTORS, 11.0 PERCENT TO PRODUCTION AND DISTRIBUTION OF GAS AND ELECTRICITY AND 10.1 PERCENT TO TRANSPORT AND TELECOM. ACCORDING TO THE SLOVAK OFFICIAL STATISTICS, GERMANY WAS THE LEADING FOREIGN INVESTOR WITH 22.7 PERCENT OF FDI, FOLLOWED BY THE NETHERLANDS WITH 16 PERCENT AND AUSTRIA WITH 14.3 PERCENT. THE U.S. CAME NINTH WITH 4.5 PERCENT. HOWEVER, THE GOS CREDITS NUMEROUS U.S. INVESTMENTS TO OTHER COUNTRIES DEPENDING ON WHETHER THE INVESTMENTS CAME THROUGH THE INVESTORS' FOREIGN SUBSIDIARIES. A SURVEY CONDUCTED BY THE U.S. EMBASSY SHOWS U.S. INVESTMENT IN SLOVAKIA AT OVER USD 3.0 BILLION IN CURRENT AND FUTURE COMMITMENTS, MAKING THE U.S. APPROXIMATELY THE THIRD LEADING FOREIGN INVESTOR IN SLOVAKIA. THE REGION OF BRATISLAVA HAS ABSORBED 69.8 PERCENT OF THE TOTAL FDI THROUGH 2004, FOLLOWED BY THE CITY OF KOSICE WITH 9.2 PERCENT.

¶42. THE LARGEST U.S. INVESTOR IN SLOVAKIA IS U.S. STEEL, WHICH ACQUIRED THE CORE ASSETS OF THE VSZ STEEL MILL IN KOSICE, FOR A FINANCIAL PACKAGE THAT INCLUDED USD 325 MILLION DEBT ASSUMPTION, USD 60 MILLION CASH PAYMENT AND BETWEEN USD 25 MILLION AND USD 75 MILLION FOR SHAREHOLDER DISTRIBUTION. ITS INVESTMENT, AND FUTURE COMMITMENT OF MORE THAN USD 1.2 BILLION, COMES IN PART FROM ITS SUBSIDIARY IN THE NETHERLANDS, AND THEREFORE THE GOS CONSIDERS IT TO BE A DUTCH INVESTMENT. WHIRLPOOL HAS INVESTED OVER USD 100 MILLION IN SLOVAKIA, EMPLOYS MORE THAN 1,300 PEOPLE AND DOUBLED ITS 2002 ANNUAL OUTPUT OF ONE MILLION WASHERS IN 2004, WHICH MADE ITS LOCAL UNIT THE LARGEST WHITE GOODS PRODUCER IN EUROPE. KIMBERLY-CLARK'S FACILITY IN SLOVAKIA IMPORTS A SIGNIFICANT AMOUNT OF MATERIALS FROM THE U.S., AND THUS PROMOTES U.S. EXPORTS. SEVERAL OTHER AMERICAN COMPANIES ALREADY HAVE SUBSTANTIAL INVESTMENTS IN SLOVAKIA, SUCH AS EMERSON ELECTRIC, TOWER AUTOMOTIVE, DELPHI, JOHNSON CONTROLS, ON SEMICONDUCTOR, CITIBANK, IBM, MOLEX, AND DELL. THE FOREIGN COMMERCIAL SERVICE REPORTS THAT THERE ARE CURRENTLY 110 U.S. COMPANIES PRESENT IN SLOVAKIA. OTHER LARGE FOREIGN INVESTORS IN SLOVAKIA INCLUDE VOLKSWAGEN, DEUTSCHE TELECOM, RUHRGAS, INTESA BCI AND SIEMENS. THAYER

NNNN